

TRANSPARENCY REPORT Deloitte Audit s.r.o.

Introduction

As an audit firm that carries out statutory audits of the financial statements of public interest entities, Deloitte Audit s.r.o., with its registered office at Karolinská 654/2, 186 00 Prague 8, Karlín, Corporate ID 49620592, registered in the Register of Companies held by the Municipal Court in Prague, Section C, insert 24349 (hereinafter also the "Company") is publishing this annual transparency report in compliance with Section 43 of Act No. 93/2009 Coll., on Auditors.

All information provided in this report relates to the situation of the Company as of 31 December 2016, unless indicated otherwise.

1 The Deloitte Network

About Deloitte

"Deloitte" is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, tax and legal services to selected clients. These firms are members of Deloitte Touche Tohmatsu Limited ("DTTL") a UK private company limited by guarantee. Each member firm provides services in a particular geographic area and is subject to the laws and professional regulations of the particular country or countries in which it operates. DTTL does not itself provide services to clients. DTTL and DTTL member firms are separate and distinct legal entities, which cannot obligate the other entities. DTTL and each DTTL member firm are only liable for their own acts or omissions, and not those of each other. Each of the member firms operates under the names "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu", or other related names. Each DTTL member firm is structured differently in accordance with national laws, regulations, customary practice and other factors, and may secure the provision of professional services in their territories through subsidiaries, affiliates and/or other entities.

See www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

About Deloitte Central Europe

Deloitte Central Europe ("DCE") is a regional organisation of entities organised under the umbrella of Deloitte Central Europe Holdings Limited, the member firm in Central Europe of Deloitte Touche Tohmatsu Limited. Services are provided by the subsidiaries and affiliates of Deloitte Central Europe Holdings Limited, which are separate and independent legal entities.

2 Legal and Ownership Structure

Legal and ownership structure

Deloitte Audit s.r.o. is a limited liability company. Since 19 December 2016 84% (84% before that date) of its equity interest is held by Deloitte Central Europe Holdings Limited with its registered office at 1, Lampousas, 1095 Nicosia, Republic of Cyprus. Other owners (each holding a 2% equity interest) are: Václav Loubek, Martin Tesař, Petr Michalík, Frederic Maziere, Diana Rádl Rogerová, David Batal, Pavel Raštica (since 19 December 2016) and Ladislav Šauer (since 19 December 2016).

Václav Loubek, Martin Tesař, Petr Michalík, Diana Rádl Rogerová, David Batal, Pavel Raštica and Ladislav Šauer are statutory auditors.

The above-specified owners – statutory auditors hold the overall majority of votes of all owners at the General Meeting.

Deloitte Czech Republic

The following companies that are part of the network in addition to Deloitte Audit s.r.o. are registered and operate in the Czech Republic:

Company:	Deloitte BPS a.s.
Corporate ID:	27160831
Registered office:	Prague 8, Karlín, Karolinská 654/2, 18600
Company:	Deloitte Central Europe Service Centre s.r.o.
Corporate ID:	27453634
Registered office:	Prague 8, Karlín, Karolinská 654/2, 18600
Company:	Deloitte Advisory s.r.o.
Corporate ID:	27582167
Registered office:	Prague 8, Karolinská 654/2, 18600
Company:	Deloitte Security s.r.o.
Corporate ID:	27899152
Registered office:	Prague 8, Karlín, Karolinská 654/2, 18600
Company:	ELBONA AUDIT s.r.o
Corporate ID:	27197824
Registered office:	Prague 8, Karlín, Karolinská 654/2, 18600
Company:	Ambruz & Dark Deloitte Legal s.r.o., advokátní kancelář
Corporate ID:	29055130
Registered office:	Prague 8, Karlín, Karolinská 654/2, 18600
Company:	Deloitte CZ Services s.r.o.
Corporate ID:	05660904
Registered office:	Prague 8, Karlín, Karolinská 654/2, 18600

The Company holds a 50% share of Deloitte Audit s.r.o. with its registered office at Digital Park II, Einsteinova 23, 85101 Bratislava, Slovak Republic, corporate ID: 31 343 414, and a 0.1% share of ELBONA AUDIT s.r.o., with its registered office at Karolinská 654/2, Prague 8 – Karlín, Czech Republic, corporate ID: 271 97 824.

3 Description of the Management Structure of the Company

Statutory executives, Martin Tesař, Gerard Patrick Murray and Petr Michalík (since 19 December 2016), form the Company's statutory body. Diana Rádl Rogerová was statutory executive until 19 December 2016.

Martin Tesař and Petr Michalík are the statutory auditors.

The Company is run by the statutory executives, partners and directors who are the direct superiors of the Company's employees. The organisational structure varies because work teams are created for individual engagements.

4 Description of the Internal Quality Control System

The Company maintains policies and procedures to promote an internal culture based on the recognition that quality is our number one priority which the Company has agreed to adhere to. The Company focuses on professional excellence as the foundation for achieving outstanding audit quality on a consistent basis. The Company policies and procedures addressing leadership responsibilities for the system of quality control within the audit firm, ethical requirements, client and engagement acceptance and continuance, human resources, engagement performance and monitoring.

This internal quality control system has two monitoring systems:

- The engagement quality control review and
- The practice review.

Engagement Quality Control Review

Statutory audit reports on the annual accounts or consolidated accounts relating to a public interest entity, among others, are subject to an engagement quality control review by a partner with sufficient and appropriate experience and professional qualifications, prior to issuance of the report.

The engagement quality control reviewer may be assigned to the Company from within DCE to work under the Company's responsibility, but is not part of the engagement team and is not portrayed in fact or appearance as a member of the engagement team.

The reviewer is appropriately briefed by the engagement team and conducts the review in such a manner that sufficient knowledge and understanding is obtained in order to reach conclusions. The reviewer's responsibility is to perform an objective review of significant auditing, accounting, and financial reporting matters, to document the procedures the reviewer performed, and to conclude, based on all the relevant facts and circumstances of which the reviewer has knowledge, that no

matters that have come to his or her attention would cause the reviewer to believe that the significant judgments made and the conclusions reached were not appropriate in the circumstances.

For engagements that have been identified as having a higher risk, a special review partner is assigned to provide an additional level of competence and objectivity in planning and performing the engagement. The special review partner may be assigned to the Company from within DCE to work under the Company's responsibility, but is independent of the engagement. Normally this partner possesses specialised industry and technical skills applicable to the engagement and, in certain situations, is independent of the practice unit to enhance objectivity or to provide specialised resources.

The audit report may only be issued if the reviewer is satisfied that the audit engagement team has made appropriate judgments and conclusions, and has complied with applicable standards and regulations.

Practice Review

The Company is subject to a quality assurance review, or "practice review" as it is commonly referred to, at intervals not exceeding three years.

Normally, the performance of every audit partner is assessed during the three-year cycle, and at least one engagement for each partner is selected to achieve this goal. Consideration is also given to assessing the performance of managers, particularly those managers who are candidate for partner nomination.

The Company is responsible for the practice review. DCE provides guidance and oversight regarding the practice review plan and procedures. The general coordination and administration of the practice review program is the responsibility of the practice review director.

The practice review plan, process, and results are reviewed and concurred by a partner from another member firm (the "external partner") every year. The external partner who is assigned this responsibility works closely with the practice review director in overseeing the planning and performance of the practice review.

Types of Engagements Reviewed

The engagements selected for review include national engagements and inbound/outbound transnational engagements (audits of financial statements that are or may be used across national borders), including public interest entities, as well as a number of high risk audit engagements. Some sensitive and complex engagements (e.g., first-year engagements, situations where there is a change in control, or deteriorating financial condition) are also selected. All major industries served are considered.

Scope of Practice Reviews

The assignment of reviewers is based on the skill level, industry knowledge, and experience in transnational engagements.

The reviews of individual engagements consist of discussions with the partner and/or manager responsible for the engagement and a review of related reports, working papers, and, where appropriate, correspondence files.

Engagements are reviewed to:

- Determine whether quality control procedures have been properly applied to such engagements,
- Assess the adequacy of implementation of the audit approach, including compliance with the Company's policies and procedures contained in the policy manuals;
- Monitor compliance with applicable local laws, and
- Assess the overall quality of service provided to clients.

The overall risk management and quality control policies and procedures of practice offices within the Company are also reviewed, including the following:

- Risk management program, including client and engagement acceptance and continuance;
- Independence;
- Recruitment and advancement;
- Professional development;
- Public filings in other countries;
- Information technology specialist reviews;
- Consultation with the Company's experts;
- Consultation with outside experts; and
- Engagement quality control reviews.

The findings and recommendations resulting from the practice reviews are included in the Company's audit quality plan and presented to the Company's and DCE leadership. The purpose of the audit quality plan is to provide suggestions for improvement in response to findings noted. The Company addresses findings by conducting a root cause analysis and drawing up a detailed action plan setting out the action to be taken, the person(s) responsible, and the timing to implement the recommendations, where applicable.

In addition, the Company communicates to the relevant partner and other appropriate personnel deficiencies (if any) noted as a result of the practice review and recommendations for appropriate remedial action. The Company also communicates the results of the practice review and ongoing consideration and evaluation of its system of quality control to its partners and other appropriate individuals.

Management Statement

The management of the Company are satisfied that the internal control system, as described above, is effective in providing reasonable assurance that the audit firm and its personnel comply with applicable professional standards and regulatory and legal requirements and that audit reports issued are appropriate in the circumstances.

5 Date of the Last Independent Quality Assurance Review

The last quality assurance review was conducted by the Chamber of Auditors in the period from 27 January to 5 February 2014. The quality assurance review was attended by representatives of the Audit Public Oversight Council.

6 List of Public Interest Entities Audited by the Company during the Past Year

Set out below is a list of public interest entities where the Company started, performed or completed a statutory audit during 2016.

- CENTRAL GROUP uzavřený investiční fond a.s.
- CENTRAL GROUP uzavřený investiční fond II. a.s.
- Česká exportní banka, a.s.
- Česká národní banka
- České dráhy, a.s.
- Družstevní záložna Kredit
- Družstevní záložna PSD
- ERB bank, a.s.
- Fio banka, a.s.
- KB Penzijní společnost, a.s.
- Komerční pojišťovna, a.s.
- Komerční banka, a.s.
- MetLife pojišťovna a.s.
- Modrá pyramida stavební spořitelna, a.s.
- Pivovary Lobkowicz Group, a.s.
- Raiffeisenbank a.s.
- Severomoravské vodovody a kanalizace Ostrava a.s.
- UniCredit Bank Czech Republic and Slovakia, a.s.

7 Independence Confirmation

DCE maintains written independence policies and procedures, which include the performing of certain independence compliance checks on an annual basis and which are applicable to the Company as a part of DCE.

- Each professional should sign an individual independence confirmation each year. In addition, similar independence confirmations are obtained from new employees and employees leaving the Company;
- All managerial personnel and above should enter their financial interests to a global independence monitoring system. Each person's portfolio is checked against an electronic list of audit clients to check whether this ownership is allowed under the relevant independence rules;
- All professionals should complete an e-learning on independence rules; and
- Client and engagement acceptance processes are used to verify that independence is not impaired.

In addition to the continuous monitoring of compliance with independence policies, independence inspection and testing procedures are performed annually on a sample of professionals and senior officers.

An internal confirmation of independence compliance by employees of the Company was performed as of 31 May 2016 and an internal independence compliance testing and inspection for selected employees was finalised by 30 November 2016.

8 Continuing Education

All registered auditors in the Company maintain their continuous professional qualification through a mixture of internal courses as well as educational courses.

Continuing education is a key policy of the Company, as this is an important means of developing knowledge and maintaining and improving the quality of our services. A learning intranet provides a starting point, including technical training, management and interpersonal skills, business economics and industry-specific courses.

The continuing education program is comprised of both Deloitte-organised training sessions as well as external training. Certain courses are mandatory and others are optional, such that each auditor or trainee auditor can personalise their learning programme.

During the first years, most training is comprised of mandatory courses on technical topics including Deloitte methodologies and processes but afterwards the optional part increases given that individual needs become more diverse. An individual learning programme is required as from approximately four years' experience.

More experienced auditors are expected to update and deepen their technical knowledge. Developing management and interpersonal skills are also very important for this group. There is also the possibility to follow longer term education, such as MBA programmes. There is also a system of accreditation whereby a training course needs to be completed before an auditor may perform certain tasks.

Through an automated monitoring system it is possible to check the status of internal and external courses followed by an individual auditor. Continuing education is also a factor taken into account for the yearly evaluation of audit staff and the assessment of their growth potential within the Company.

9 Financial Information

Given that the Company's financial statements for the year ended 31 December 2016 have not yet been finalised and audited, the below stated information may differ from that stated in the final version of the financial statements.

	CZK million
Mandatory audit and other assurance services	435
Tax advisory	0
Non-audit services	49

10 Information Concerning the Basis for Partners' Remuneration

Partners are evaluated on a yearly basis and depending on the outcome of the evaluation the remuneration of partners may increase or decrease. Partner evaluations take the following factors into account: quality, expertise, integrity, professionalism, entrepreneurship, independence and compliance.

In Prague on 30 March 2017



Martin Tesař

Statutory Executive of Deloitte Audit s.r.o.

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